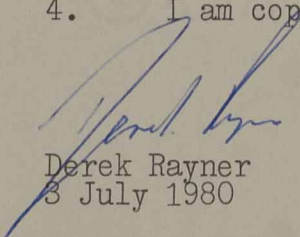


PERSONAL AND CONFIDENTIAL

PRIME MINISTER

1. I look forward to receiving you, Mr Thatcher and Sir Robert Armstrong next Tuesday evening.
2. Apart from anything you want to raise with me, I should be glad if I might talk frankly about
  - a. the future course and duration of my assignment;
  - b. leadership in Whitehall; and
  - c. my ideas on the "Inspector-General" recommendation in my minute to you on 26 March on "lasting reforms".
3. I attach a first note on the "Inspector-General" as a background to some of the above. I have discussed it with Sir Robert Armstrong, but not with Sir Ian Bancroft or Sir Douglas Wass. It can be worked up in the light of our talk if you approve of it in principle.
4. I am copying this to Sir Robert Armstrong.

  
Derek Rayner  
3 July 1980

## INSPECTOR-GENERAL OF THE CIVIL SERVICE

Note by Sir Derek Rayner

### Background

1. In my minute of 26 March I suggested that the "function of the centre of any organisation must include the design and testing of systems of control and management in respect of money, manpower, personnel and assets and operations" (para. 16c).

2. I went on to recommend that the mechanisms of control and testing would best be provided by organisational arrangements including an "Inspector-General of the Civil Service" reporting direct to the Prime Minister and the merger of the relevant parts of the Treasury and CSD (para. 17).

3. The purpose of this note is to propose what the functions of this officer should be and to comment on where he might be sited in the machinery of government.

### General

4. A new office of Inspector-General is needed to free the Government and the Service from the need to bring in people like me at fairly regularly intervals. Both the Government and the Service should be capable of such constructive self-criticism, conducted as far as possible in the light of the public gaze, as to show that they have an adequate quality assurance and have made suitable preparation for the future.

5. The word "inspector" implies inquiry, assessment and examination. Some is necessary, for the good health of the Service and for the satisfaction of the public. I would not however assign the functions of assessment and examination here considered to a body other than the Government itself.

6. I am not in favour of something like Mr Chapman's "New Audit Department", with its strongly inquisitorial overtones, for three reasons:

a. I am here concerned solely with the Executive's role of policing itself, not with the audit role of the Legislature.

b. Although the formal disciplines of examination have value, and there is scope for a very considerable development of the audit function, both at the centre and in departments, I regard the main task of the I-G as assisting Ministers and their Departments, ie one of promoting quality assurance, not prosecution.

c. I make the critically important assumption that the Service is capable of excellence and is, in part, excellent in the use of resources. The I-G would not therefore sit on an island of good thinking surrounded by a sea of incompetence. Instead, at least some of his work would consist of making sure that he and the Service had learnt from good practice of departments.

## Functions

7. I regard the I-G's functions as relating to the following:

- a. The strength and reliability of systems for the planning, allocation and use of money and manpower, including the organisation of departments;
- b. the most cost-effective use of manpower at all levels;
- c. the most cost-effective use of technology in support of or substitution for manpower;
- d. the performance of all elements of the Service, generalist and specialist alike;
- e. the developments in or affecting the Service, eg industrial relations;
- f. monitoring the response to complaints made against the Service or by Civil Servants themselves and suggestions made similarly;
- g. the general lessons for efficiency, eg in the use of manpower, to be derived from reports of the Comptroller and Auditor General, the proceedings of the Public Accounts Committee and the reports of the Parliamentary Commissioner for Administration; and
- h. representing the Service, insofar as it requires representation by a senior official at the centre in addition to the representation provided by the Prime Minister, or the Ministers and Permanent Secretaries.

8. Creating new or changing the titles of existing senior officials will effect no changes in itself. It is therefore important, in my view, to express the functions of the I-G in terms of first, personality and, secondly, a policy one of whose requirements should be that he should report annually on the progress made by the Service, under Ministers, towards achieving the policy in practice.

#### Personality

9. I have a firm conviction that the post of Inspector-General should be filled, not by a Permanent Secretary of older years, but by a younger officer. This should be someone of drive and determination, prepared to be tough when necessary, but still seen as the friend and counsellor of the Permanent Heads of Departments. He should delegate much of the work which at present appears to occupy the Permanent Secretary of the CSD and devote most of his time to the issues which call for leadership and block-busting. He should occupy the post for not less than 5 years.

#### Policy

10. If the I-G were appointed later this year, I would envisage his first commission or warrant from the Prime Minister somewhat in the terms set out below. It can and should be made much more specific so as to produce a detailed programme for monitoring by her; it requires that the I-G should have authority to procure management information from departments which enabled him to make judgments about their performance.

"You are to assist Ministers and Departments to carry into effect the agreed results of the reviews

of departmental manpower and costs, so as to bring the size of the Civil Service down to 630,000 by 1 April 1984. In this, you are to pay particular attention to laying a sound basis for the optimum use of manpower and the continuing reform of operations and administration and to the contribution to be made to this work by the scrutiny programme and by such other co-operative means as management review.

You will be responsible for carrying into effect such "lasting reforms" as lie wholly in the power of central Ministers and for assisting the Cabinet or individual Ministers to give effect to those which do not. [Details to be specified, with a timetable.]

You are to concern yourself generally with the quality of work done by the Civil Service and with [such matters as those specified in para. 7 above]. You should in general lead and assist developments in cost-consciousness and the care of assets. You are to undertake development work and inquiries, either on your own or in collaboration with departments. In the latter case, Cabinet has agreed that departmental Ministers will grant you access to and provide you with assistance from their Departments. You should so develop your knowledge and understanding of

departmental operations as to enable you to assess departmental effectiveness. You are in any case to visit each departmental Minister annually, to receive comments or guidance from him and to give him your impressions of the strengths and weaknesses of his Department.

You are to take personal responsibility for the scrutiny and management review programme at official level and for laying before Ministers annually a statement and appraisal of the cost of administration.

You should be prepared both to recommend and undertake special studies or assignments on behalf of Cabinet as a whole, as well as being available to advise departmental Ministers, whether on a confidential basis or otherwise, on aspects of their departmental operations, organisation and staffing.

You are both to advise and guide and to seek the advice and guidance of Permanent Secretary Heads of Department in all the above.

You should annually agree your plan of work with me and should report its outcome to me, again in a form suitable for publication."

Complaints and suggestions (7f above)

11. It was put to me last year by a serving Civil Servant that a new office was required to examine, on a

somewhat similar footing to that of the Parliamentary Commissioner, complaints of efficiency and waste made by and the reasonable grievances of public sector workers.

12. My correspondent's suggestion was that the new officer, whom he called the "Crown Invigilator", should be a judge, with the status and authority of a member of the High Court; his small staff should be led by two lawyers; he should have the power to summon witnesses and call for papers; he should have the right to initiate inquiries himself; and his remit should cover all public services, not just the Civil Service.

13. I have reservations about this. My interest here is solely in the Civil Service. I would be very hesitant about involving the law. I do not want a charter for crackpots. And, whatever merits the idea might have in some quarters, I would very much want the emphasis to be on suggestions rather than complaints.

14. I acknowledge that there can be a fine boundary between complaints and suggestions. I know that the Service operates a staff suggestions scheme. But I have had a continuing flow of letters from serving and retired Civil



Servants containing useful ideas and good leads. This and the enthusiasm of people whom I have met in local offices both suggest that the inertia of the large organisation requires a countervailing force within it to encourage ideas which might otherwise be stifled and provide an appeal route for staff who believe themselves unfairly treated and without resort in their own department. (This overlaps somewhat with the recommendation in my minute of 26 March that Civil Servants should be enabled to give of their best.) I should like to see staff encouraged to use the office of the I-G and him given access to departments to follow up points put to him when necessary.

#### Resources and location of the Inspector-General


15. The resources available to and the siting of the I-G can be visualised in several different ways. I suggest two for consideration.

16. First, he could be regarded as occupying a new Permanent Secretary or Second Secretary post outside the Treasury/CSD, paid for by abolishing such a post elsewhere. His main resource would be his warrant from and access to the Prime Minister but this would be no good on its own unless

- a. he was someone likely to command the respect of Ministers and Permanent Secretaries; and
- b. his staff were similarly well equipped.

17. If the I-G were outside the Treasury/CSD - for example, in the Cabinet Office but not of it - he would be more obviously independent and inspectorial in function than if he were an officer from the Treasury/CSD. His staff would have to be of the highest calibre but few in number, up to 10. They should include officers experienced in Principal Finance and Establishment Officer duties and officers with experience of management and new technology. He would have the right to draw upon Treasury/CSD and departmental staff, by agreement in the case of the latter.

18. Another course would locate the I-G within the Treasury/CSD, perhaps occupying what is now the Second Secretary slot in CSD. That would give him a substantial staff, including the Groups controlling Manpower and Computers and dealing with Management & Organisation and Functions & Programmes. He might also have under command or draw upon relevant parts of the Public Services Sector in the Treasury. Under this option, the I-G is much less obviously independent and inspectorial than under that in paras. 16 and 17. It would perhaps give him a role more immediately recognisable to the Service, but that has disadvantages as well as advantages.

  
Derek Rayner  
3 July 1980